Special focus
PAPER

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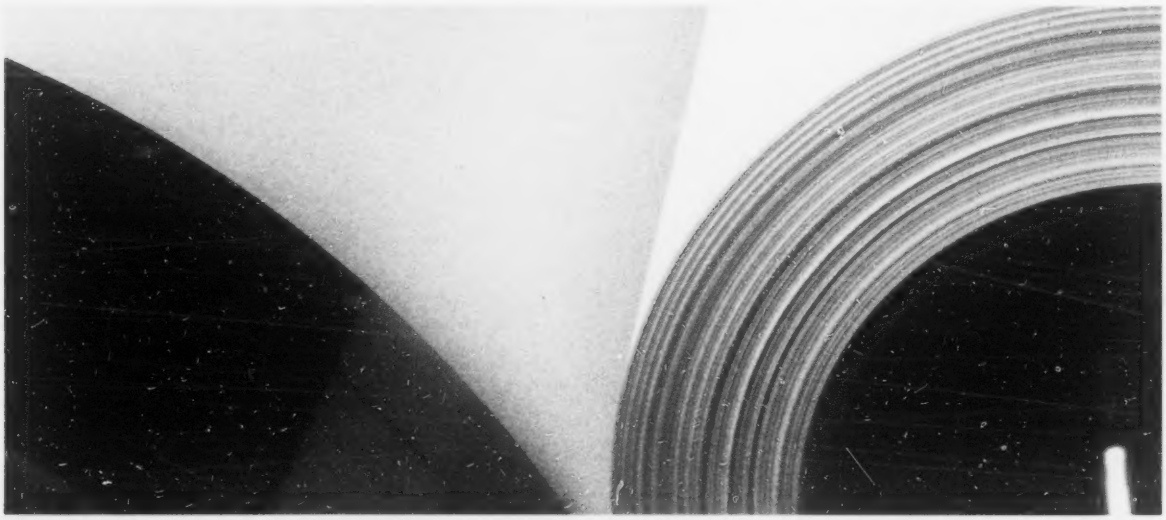

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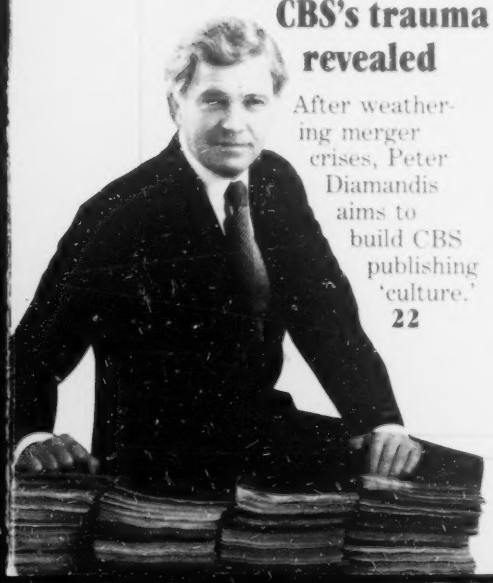

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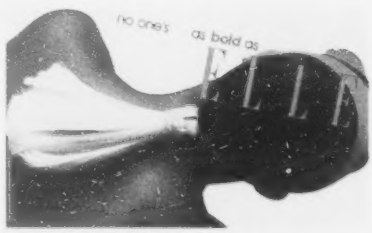

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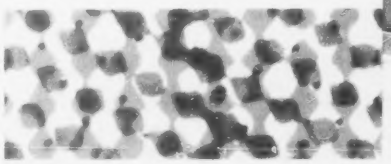

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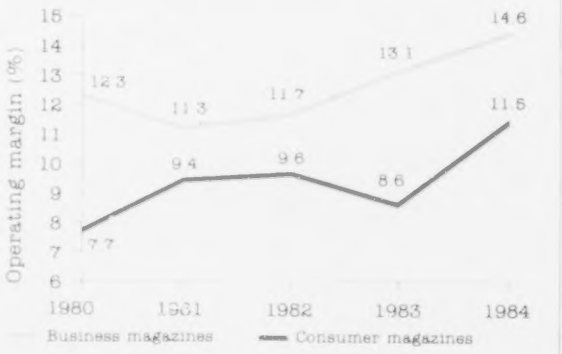
BRIEFINGS

Magazines closing the revenue growth gap vis a vis total communications industry

An advance look at the new *Veronis, Suhler & Associates Communications Industry Report* (public companies), shows that compound annual revenue growth for business magazines (8.4%) and consumer magazines (10.0%) between 1980 and 1984 failed to match the 13.5% growth in the overall communications industry for the same period. But the gap started to close in '84, especially for business magazines, which had 14.4% growth, as compared with 15.7% for overall communications. Consumer magazines' growth (12.4%) also showed improvement in 1984. In terms of pretax operating income margins, business magazines' high point in '84 (14.6%) nearly matched the 14.9% five-year high point for overall communications (which includes TV, radio, newspaper publishing and advertising). But consumer magazines' *high* (11.5%) didn't even come close to overall communications' *low* (13.5%) for operating margin.

Pretax income margin comparison



Copublishing international magazines: Wave of future?

The joint venture between Newsweek International and American Express Publishing Corp. to publish *Travel & Leisure Asia* might be the wave of the future, believes Bob Abramson, an expert on international licensing of editorial. "The idea of a publisher who has an established network of distribution facilities throughout the world using those capabilities to good advantage by introducing new products into those areas makes a great deal of sense," he says. "Newsweek's licensing of *Travel & Leisure* for the Far East could, if successful, mark the beginning of efforts by other publishers with such potential to develop new and synergistic profit centers." Under the Newsweek/AmEx agreement, AmEx supplies all the editorial for the Asian English-language edition, while Newsweek takes care of the publishing end, including circulation, production, distribution and advertising sales outside the United States. "A major step forward," observes Abramson, "is that a first-line publisher is willing to accept the principle of licensing in such circumstances." *Travel & Leisure Asia* is slated for a spring '86 launch with projected circulation of 110,000.

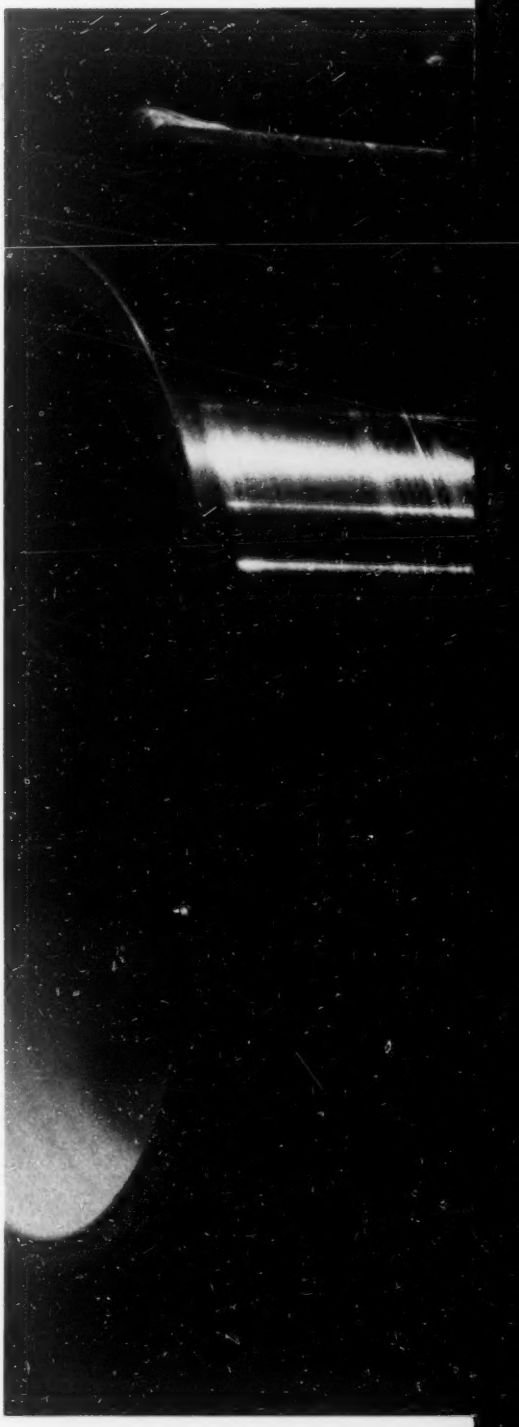
Agency execs express mixed feelings about redesigning of *U.S. News*

Is the new *U.S. News & World Report* design, due out December 30, a good idea? There's already been some speculation that the newsweekly, which for years has billed itself as the "no fluff" alternative, could turn off old-line readers if it veers away from this line. But, says a spokesperson for the magazine, "It will have the same depth and style of coverage," but will be presented in a "stronger, more visual environment." She adds: "We've always had 'people' coverage. We are strengthening several areas, including business, lifestyle and personal finance." Some agency execs have already had sneak previews. "Anytime you make changes, you risk losing your old franchise," says one, Paul Zuckerman, senior VP/media at Doyle Dane. The real problem, he feels, has been a low media profile. "They never tried to aggressively sell the old product." But others think redesigning a good idea. Bert Peller, VP/media manager at Young & Rubicam, thinks the new design "should draw a larger,

Coated groundwood

A look at what you must know to predict available supplies of coated groundwood and position yourself to get what you need

BY ROBERT L. JOHNSON



Coated groundwood paper is the single most important grade used by magazines in the United States. In fact, about three-quarters of all paper consumed by domestic magazines is coated groundwood. This being the case, it is not surprising that the coated groundwood paper manufacturers in North America look to our industry to purchase nearly 60 percent of their production.

This interdependence creates a kind of partnership—and as in any partnership of mutual dependence and expectation, there are good times and there are bad times. The longer you are in this business, the more you realize that swings occur and recur—from content to discontent and back again, sometimes quickly and other times over the course of several years.

Need any of us be reminded of the frantic months of 1984 when paper was as scarce as gold dust and the next delivery was often only hours away from press time? And then the quick change early this year when inventories purchased in the time when caution was the watchword suddenly became burdensome to our cashflow and taxing to our printers' warehouses?

Looking for answers

Given this propensity for change in the supply of coated groundwood, all publishers need to know as much as possible about the future availability of this paper. The FOLIO: Coated Groundwood Paper Survey was designed to compile and present information useful to magazine publishers in this regard. The survey focuses on North America, since it is apparent that the United States and Canada will more and more share a common mar-

Robert L. Johnson draws on his management experience in paper, printing and publishing to comment on industry subjects of interest. He has held executive positions with Time Inc., Macmillan, Inc. and Lindenmeyr Paper Corp.

PAPER

***Magazines consume** roughly 60 percent of coated groundwood. At left, Champion Paper employee keeps count of paper manufactured at Deferiet, N.Y., mill.*

Below, a giant roll of coated groundwood has just been manufactured at Champion's mill.

PHOTOS COURTESY OF CHAMPION PAPER

MPA survey of 1985 paper usage *

Table 1

Estimates

	1985 projected tons	1986 projected tons
Coated groundwood	1,165,261	1,224,286
Coated woodfree	147,001	149,685
Uncoated groundwood	215,574	221,078
Uncoated woodfree	18,112	19,043
Imports	67,459	62,334
Total tonnage	**1,613,407**	**1,676,426**

*Projections are based on responses from 99 publishers.

***By extending these numbers** from MPA it is possible to estimate that perhaps 2.5 million tons of coated groundwood will be consumed by all domestic magazines in 1985.*

ket. (Paper from offshore will continue to be a factor, but North American sources of coated groundwood are those that received FOLIO:'s in-depth analysis.)

There are today 15 companies in the United States and Canada that (in 1985) have the capacity to manufacture an estimated total of 3,929,000 tons of coated groundwood paper. There may be a few other mills in North America that produce a small amount of coated groundwood, but the 15 companies covered by this survey produce the majority—certainly more than 95 percent.

Defining the questions

The survey was designed to answer several questions about paper in general and coated groundwood in particular: What types of paper are used in our magazines? How is coated groundwood different from the other types of paper, and what are its characteristics? Who competes with us for coated groundwood supply? Who manufactures coated groundwood paper in the United States and Canada? Of these mills, which ones are major suppliers of paper to magazines? How do they sell their paper? Which mills are nearest to our printers, and what do they have planned for the future? And what do they have to offer—in basis weight range, printing-process end-use application, and surface finish?

The Magazine Publishers Association's annual paper survey of members (1985) received responses from 99 publishers, representing slightly more than 40 percent of magazine paper usage. Because a few classes of magazines, such as those distributed in Sunday newspapers, are not included in MPA membership, the MPA statistics are not wholly representative of all magazine paper usage. Nonetheless, the numbers are revealing. Table 1 shows the respondents' estimated usage by type of paper for 1985 and 1986. The paper classified under "Imports" cannot be precisely defined. However, I would guess that at least three-quarters of it falls under the coated groundwood category also.

Extending the MPA numbers, we can see that perhaps 2.5 million tons of coated groundwood will be consumed by all domestic magazines in 1985.

Even though roughly 60 percent of all coated groundwood paper is consumed by magazines, it is impossible to ignore the other users of this paper because they compete with us for the available supply. Catalogs, free-standing inserts, coupons and certain types of books are other major users of coated groundwood, with certain of these segments growing significantly faster than magazines. Not only has their growth been high, but their switch from other grades to coated groundwood has been heavy. The tonnage demands of certain of these other users will certainly not grow as rapidly in the next five years as they have since 1980. But their near-term growth will probably still outstrip magazines, making for continuing competition for paper supply.

Canada as a supplier

Because Canada has historically been a small factor in the coated groundwood paper manufacturing picture in North America, most surveys have not included data about Canadian production and supply. But this picture is changing, and I am therefore encouraging all coated groundwood paper buyers to start now to think in terms of total North American capacity. For total paper, our two countries have in recent years been each other's largest trading partners—partly because of geographical proximity and partly because of similarities in paper specifications and "expectations" of customers.

My numbers indicate that for coated groundwood paper, Canada's capacity will be an increasingly large factor, growing from less than 6 percent of North American supply in 1985 to more than 9 percent by 1988. Table 2 illustrates this growth and compares it regionally to capacity in the United States. Of course, a good portion of Canada's paper remains in Canada to satisfy their domestic demand, but an ever-growing amount will be coming to the United States in future years.

Modest to rapid growth

According to our definition of coated groundwood paper (see sidebar), total North American capacity in 1985 equals 3,929,000 tons. It grows modestly (by 208,000 tons) to 4,137,000 tons next year as the impact of three new machines begins to be felt. It then

Geographic dispersal of groundwood paper by tons manufactured

Table 2

	1985	1986	1987	1988
United States mills				
Northeast	1,525	1,530	1,533	1,548
Midwest	1,570	1,606	1,771	1,851
South	503	600	816	922
West	101	101	101	101
Total U.S.	3,699	3,837	4,221	4,422
Canadian mills	230	300	410	460
Total U.S. and Canada	**3,929**	**4,137**	**4,631**	**4,882**

***Canada's contribution** to the available supply of coated groundwood is expected to increase from less than 6 percent of the total in 1985 to more than 9 percent in 1988. Although a good portion of this paper will remain in Canada to satisfy Canada's needs, an ever-growing amount will be coming to the United States.*

spurts rapidly (by 496,000 tons) in 1987 to 4,631,000 tons as these three machines proceed up their learning curves and are joined by a fourth. An additional 251,000 tons becomes available in 1988 as these four machines come close to top production levels and a fifth machine is started up for a total capacity that year of 4,882,000 tons.

Included in these numbers are the effects of certain anticipated speed-ups or rebuilds of old machines, plus the shutdown of one small machine.

New capacity announced

The five announced new machines in the survey and their times of impact are as follows:

- Bowater, Catawba, South Carolina—early 1986.
- Repap, Miramichi, Newcastle, New Brunswick, Canada—third quarter 1986.
- International, Pine Bluff, Arkansas—October 1986 (machine conversion).
- Consolidated, Biron, Wisconsin—1987.
- Blandin, Grand Rapids, Michigan—second half 1988.

The first four are now in various stages of construction, and Blandin will start construction early next year.

In no case have I anticipated any new capacity other than that which has been formally announced by the paper companies. The same holds true for speed-ups and rebuilds. However, there are other possibilities in the wings that I will discuss later in this article.

In total, coated groundwood tonnage in North America will increase by 953,000 tons between 1985 and 1988, for a growth of more than 24 percent. And if other developments occur, that number could even be larger.

Geography and the big players

In addition to showing the coated groundwood capacity tonnage numbers, Table 3 ranks the 15 companies by size for 1985 and 1988. It also shows the mill locations and gives the basis weight spreads. (More on basis weight later in this article.)

Champion (with its mills obtained in the purchase of St. Regis) remains number one throughout the period, even though no new machines have been announced. But International and Consolidated, the number two and three companies in terms of coated groundwood tonnage, close the gap considerably as this period progresses.

Repap is a special situation—it is

What is coated groundwood?

Coated groundwood paper is defined by industry custom both by the type of woodpulp in the fiber and the amount of coating on the surface.

By definition, coated groundwood papers have a woodpulp content, or furnish, containing at least 10 percent groundwood (mechanical) pulp. In point of fact, most coated groundwood grades contain significantly more mechanical pulp, perhaps as much as 40 percent to 60 percent. The rest of the fiber furnish consists of "woodfree" (chemical) pulp and various fillers.

Groundwood pulp is made by a mechanical process that leaves a significant amount of lignin in the stock; it is not as permanent as "woodfree" pulp because it tends to discolor over a period of time, and it is not normally as bright as woodfree pulp. But it has higher opacity, and this characteristic is very important to users of lightweight paper.

"Woodfree" pulp is actually a misleading term. It should really be called "groundwood-free" pulp. This pulp is prepared in a chemical cooking process that removes the lignin. It is a stronger pulp than groundwood, and all coated groundwood papers need a portion of chemical pulp mixed into the furnish to provide strength to the sheet.

Also by definition, to be classified as "coated," the groundwood paper must have at least two and one-half pounds of coating on each side of the sheet. There are several types of coating applications used by various manufacturers, but for purposes of this study, FOLIO: has included only fully bladecoated processes that apply an approximately equal amount of coating per side. The new short-dwell coating process is included, as are the traditional types of blade coating, both on-machine and off-machine.

Groundwood coated papers are normally classified within two groupings according to brightness. A GE brightness reading of 72.9 and lower designates a #5 grade, while a GE brightness of between 73.0 and 78.9 defines a #4 grade. Within North America, all #5 coated grades are groundwood papers, while about half of #4 grades also include groundwood content. The other #4 grades are "woodfree" (less than 10 percent down to zero groundwood furnish), and the higher brightness grades (#3, #2 and #1) are completely "woodfree."

***Groundwood pulp** is not normally as bright as wood-free pulp.*

Normally, #4 groundwood coated grades are more expensive than #5 grades, with brightness being the key difference. The GE method of brightness measurement does not always agree with our eye. What the eye usually considers is the shade and cleanliness of the various sheets it compares, erroneously concluding that the whiter, cleaner sheet is always the "brighter." While most of us can readily separate sheets that differ by one point of opacity, almost no one can "see" the difference between one or even two points of brightness.

In this survey, #4 and #5 coated groundwood grades are considered together. Coated woodfree grades (including those in the #4 category) are completely excluded, and will be the subject of a future article.□

really a combination of three companies, with Midtec Sales Corporation providing the exclusive marketing and sales service for each. Midtec (Kimberly, Wisconsin) is the only one of the three operating in 1985, but next year, it will be joined by Miramichi (Newcastle, New Brunswick, Canada). And I list Repap's Nitec (Niagara, New York) mill only because the machinery exists and it could be restarted after an additional investment. Even without Nitec production, taken as a whole, Repap moves up from eighth place in 1985 to number four in 1988.

Bowater moving up

Bowater is the other ascender, moving from fourteenth to number eight. And Blandin, while maintaining the number seven slot in 1985 and 1988, will almost certainly move up as it reaches its mill potential of about 445,000 tons annually by 1990.

Table 2 summarizes the geographical dispersal of total groundwood tonnage. It is especially interesting to note the static position of the northeast United States during the four-year period. But the Repap-Miramichi mill in New Brunswick, Canada, can most comfortably support the Northeast in terms of proximity, so the comparison is not quite so startling as at first glance.

The West is another area of no growth; only the West Linn, Oregon, mill of Crown Zellerbach is located west of the Rocky Mountains. Given the growing demand for coated groundwood paper in the West, I expect that Blandin's larger operation in Minnesota will join certain other Midwest and Southern mills in an effort to fill part of that requirement. But Blandin's newly announced machine, in my opinion, is still somewhat doubtful in terms of timing and perhaps viability.

Magazine penetration

It's not enough for us to look at total tonnage numbers, since we are first and foremost interested in *magazine* tonnage. When paper is made, each grade competes for machine time with every other grade that the paper machine can manufacture. And the same paper can be directed to different market segments. But for our general guidance, it is helpful to know how much of each company's groundwood coated paper now goes to magazine end use.

Table 4 provides my estimate of the percentage of this paper produced by various companies that is used by magazines. Some companies gave me

Coated groundwood paper production and availability in North America

Table 3

Crown Zellerbach's West Linn, Oregon, mill (4B) does not show on this map.

1985 rank by tons available	Company
1	Champion
2	International
3	Consolidated
4	Crown Zellerbach
5	Mead
6	Boise Cascade
7	Blandin
8	Repap (Midtec Sales)
9	Niagara
10	Weyerhaeuser
11	Fraser
12	Great Northern
13	Krueger
14	Bowater
15	Provincial

†A dagger indicates that the author provided that number in the absence of a formal survey response.

the figures right to the percentage point, others gave me rough estimates, and a few declined to release any numbers. But, after talking with many sources, I am able to represent each company in the survey, at least within a certain general classification percentage range. Again, I cannot predict if each company's orientation will continue as it is currently projected.

In the August issue of PIMA (page 96) I reviewed the pluses and minuses of buying paper from printers, merchants and mills. In that article I suggested that, for certain publishers, it is not advantageous or practical to buy directly from mills, but that a merchant or printer should be chosen.

Merchants and manufacturers

That's all well and good, but merchants are supported in varying degrees

"It is hard to believe we could have a tightness of supply within the next three years, but..."

[redacted]

by these paper companies. In fact, four mills sell almost exclusively on a direct basis. Table 5 shows the percentage range of each company's coated groundwood paper sold through merchants. (Once more, lacking much specific information, I have provided three general groupings, with no guarantee of 100 percent accuracy.)

Available basis weights

Now that we have a pretty good idea of each company's tonnage, their percentages going to magazines, and the selling methods, let's look at three important paper details—basis weights, printing processes and surface finish. Table 3 (far right panel) shows four general basis weight ranges and the paper companies that participate within each range. It also specifies offset and gravure capabilities and gloss and matte availability.

The highest basis weight generally offered in coated groundwood paper is 70#. The only mill to go above that weight is Mead, which makes 80#, and indeed has the ability to go all the way to 100#. On the other end of the scale, the only company that goes down to

Mill location(s)	Present basis weight range	Coated groundwood capacity (000 short tons) 1985	1986	1987	1988	1988 rank	Availability by basis weight: Available for Offset	Gravure	Available in Gloss	Matte
A. Bucksport, ME B. Deferiet, NY C. Sartell, MN	30-70	650	655	655	680	1	□ ◩ ◪ ■	□ ◩	□ ◩ ◪ ■	◪ ■
A. Jay, ME B. Corinth, NY C. Pine Bluff, AR	32-70	435*	460*	585*	635*	2	□ ◩ ◪ ■	□ ◩ ◪ ■	□ ◩ ◪ ■	◩ ◪ ■
A. Biron, WI B. Wisconsin River, WI	32-60	420	431	576	606	3	□ ◩ ◪ ■	□ ◩ ◪ ■	□ ◩ ◪ ■	◩ ◪ ■
A. St. Francisville, LA B. West Linn, OR	34-70	304	305	320	348	5	□ ◩ ◪ ■		□ ◩ ◪ ■	□ ◩ ◪ ■
Escanaba, MI	45-80	300	300	320	330	6	◪ ■		◪ ■	◪
Rumford, ME	34-70	280*	280*	280*	280*	9	□ ◩ ◪ ■	□ ◩ ◪ ■	□ ◩ ◪ ■	◪ ■
Grand Rapids, MI	32-60	275	275	275	300*	7	□ ◩ ◪	□ ◩ ◪	□ ◩ ◪	
A. Midtec-Kimberly, WI	34-70	220*	225*	225*	225*	4	□ ◩ ◪ ■	□ ◩ ◪	□ ◩ ◪ ■	◪ ■
B. Miramichi-Newcastle, N.B.	32-40	0	60†	170†	220		□ ◩	□ ◩	□ ◩	◩
C. Nitec-Niagara, NY	40-70	0	0†	0†	0†					
		220	285	395	445					
Niagara, WI	40-70	185	205	205	210	10	◩ ◪ ■	◩ ◪ ■	◩ ◪ ■	◩ ◪ ■
Columbus, MS	38-50	175	180	185	185	11	◩ ◪	◩	◩ ◪	◩ ◪
Madawaska, ME	32-45	165	165	168	168	12	□ ◩ ◪	□ ◩ ◪	□ ◩ ◪	
Millinocket, ME	34-50	165*	165†	165†	165†	13	◪	□ ◩	□ ◩	◪
Trois Rivieres, Que.	34-45	130	130	130	130	14	□ ◩ ◪	□ ◩ ◪	□ ◩ ◪	
Catawba, SC	38-50	125*	191*	262*	290*	8	◩ ◪	◩ ◪	◩ ◪	◩ ◪
Thunder Bay, Ont.	38-55	100	110*	110*	110*	15	◩ ◪ ■		◩ ◪ ■	■
Total U.S. & Canada		**3,929**	**4,137**	**4,631**	**4,882**					

*When an asterisk follows a number, it indicates that the author changed the number provided by the company or modified a general number to reflect his estimate of coated groundwood only.

Basis weight range key:
□ 30-37# ◩ 38-44# ◪ 45-59# ■ 60-80#

30# paper on a regular manufacturing basis is Champion, though I suspect that one or two others have the technical capability.

I asked the 15 paper companies to estimate the future general movements for basis weights in magazine paper. Of the 14 that responded to this question, none estimated a direction higher; six thought the mix would move lower; and eight did not expect any appreciable change. Looking at the 1985 MPA Paper Survey, the respondents seemed to agree—perhaps a very slight shift downward, but almost imperceptible in magnitude.

Printing processes

The two printing processes for magazines using coated paper are heatset web offset and gravure. I cannot estimate with great accuracy the percentage of one versus the other in magazine printing, but for total #5 coated groundwood paper consumption, gravure accounts for perhaps 25 percent. Certain magazines with long print runs use this process, but for all magazine printing I think that heatset web offset will grow more rapidly in the future. Each printing process applies the ink differently to the paper, so the paper for each requirement has different properties. For instance, gravure paper has to be smoother than offset paper.

All 15 companies in our survey manufacture offset paper, at least in some basis weight range. But three of the companies—Crown Zellerbach, Mead and Provincial—do not make gravure paper at all. See Table 3 to identify those paper companies that manufacture the type of paper you want within your specific basis weight range.

> "An ever growing portion of paper produced in Canada will be coming to the United States in future years."

The great majority of coated groundwood paper used in magazines is glossy in finish, but certain magazines do have requirements for matte grades. Matte paper is coated, but not supercalendered. It does not have the shine of gloss paper, but with special inks it provides excellent hold-out properties for four-color printing in web offset. Certain art directors like the snappy ink holdout without the paper glare, and matte coated paper can be the answer. Therefore, Table 3 (far right panel) also identifies those paper companies that manufacture gloss and matte paper within each basis weight range.

You will note that all companies manufacture glossy paper, at least within certain basis weights. However, three companies—Blandin, Fraser and Krueger—do not provide matte paper at any basis weight. The lowest basis weight commonly manufactured in matte coated groundwood paper is 40#. Crown Zellerbach is the only company in our survey to go down to 36# paper in matte finish.

Because the qualities, specifications and other variations in printing paper are encyclopedic, even for coated groundwood grades, many publishers find it useful to have on hand one or two different paper directories. The accompanying Paper Resource Guide lists five directories that you might consider, although I'm not making any recommendations as to which of them may be just right for you.

I mentioned earlier that only announced capacity changes were included in this survey. But there are other moves that could occur, and I list situations that bear watching:

•Krueger currently manufactures uncoated groundwood at its Trois Rivieres mill in Quebec. Its two off-machine coaters convert a portion of this tonnage into coated groundwood paper, currently 130,000 tons. Krueger is

Percent of paper companies' coated groundwood output used in magazines

Table 4

	Less than 5%	21%-40%	41%-90%
Paper company	Great Northern	Mead, Niagara, Repap-Midtec, Weyerhaeuser	Blandin, Boise Cascade, Bowater, Champion, Consolidated, Crown Zellerbach, Fraser, International, Krueger, Provincial, Repap-Miramichi

***Each grade of paper that is made** at a paper plant competes with all the other grades for machine time. And in the case of coated groundwood, the paper made is used by buyers other than magazine buyers. Therefore, it is interesting to see what percentage of paper company output is used by magazines.*

Percent of coated groundwood paper sold through merchants

Table 5

	0-5%	16%-35%	36%-60%
Paper company	Blandin, Bowater, Fraser, Great Northern	Boise Cascade, Champion, Consolidated, International, Provincial, Repap-Miramichi, Weyerhaeuser	Crown Zellerbach, Krueger, Mead, Niagara, Repap-Midtec

***Publishers have the option of buying** their paper directly from a mill, from a merchant or from their printer. However, merchants are supported in varying degrees by the paper companies. This table shows the percentage range of each company's coated groundwood paper sold through merchants.*

From water and pulp to paper *all takes place in a long, open area called the four drinier. Above, paper shown on the right and left is in the process of creation at Champion International Corporation, Bucksport, Maine.*

assessing the expansion prospects for a third coater at this mill to increase coated paper capacity for its Canadian and United States customers. Such a decision could probably be implemented in less than a year from "go." Perhaps 60,000 to 70,000 tons would then be added in this category.

•Weyerhaeuser originally had grand plans for its "greenfield" millsite in Columbus, Mississippi. Its first machine was started up in 1982 and currently produces 175,000 tons annually of coated groundwood paper. The initial scheme was to follow up with a second coated groundwood machine and two uncoated woodfree machines that, when all up to speed, would have made this mill one of the largest on the continent. A second coated groundwood machine has been engineered, but for the past many months it has been on the back burner.

Now that Weyerhaeuser Company has formed a new entity (Weyerhaeuser Paper Company) to focus specifically on its paper activities, that project may finally heat up. I can't believe that the Columbus millsite will thrive with just one machine, and I can't believe that the uncoated woodfree market will make it sensible to move that way next. A second coated groundwood machine should at least double the present capacity for Weyerhaeuser in this grade.

•Niagara's parent company, Pentair Industries, is rumored to be studying a possible joint venture with Minnesota Power and Light for a "greenfield" mill in Duluth, Minnesota. This area has been looked at by others recently, and if Pentair proceeds with the project, the grade would either be lightweight coated paper or uncoated supercalendered paper. If lightweight coated groundwood gets the nod, perhaps another 200,000 tons would come on stream.

•Repap was, for a while, seriously considering the start-up of its old Nitec mill in Niagara, New York. Instead, it is moving forward with the coated groundwood project called Miramichi in Canada. Perhaps after that major project is digested, attention might again be turned to Nitec, to provide an additional 80,000 tons to the marketplace. But not, I think, for at least the next few years.

•St. Regis, before it was purchased by Champion, was actively considering a new machine, looking at three or four locations. With the consolidation of these two companies, Champion has had to focus on other more pressing considerations. But in the long term, it will be hard for them to relinquish their number-one position in coated groundwood. Numbers two and three are closing fast. I suspect Champion will resurrect the project in the next two or three years.

Forecast: Supply and demand 1986

It is hard to believe that we could have a tightness of supply within the next three years. Certainly the coated groundwood paper market for most of 1985 has been soft. And paper for most months has been readily available, with stable and even sinking prices. In addition, offshore sources have been flooding in in increasing amounts since 1984 as the relatively strong dollar has combined with soft markets elsewhere in the world to encourage its entry.

Indeed, Robert Farley, senior vice president, Magazine Publishers Association, says that "from the point of view of supply of paper, I would certainly think that the publishers are going to feel comfortable next year."

Time Inc., one of the largest users of coated groundwood paper in the United States, seems to echo that sentiment: "It will continue to be a soft market," says Richard Serafin, purchas-

ing director, Corporate Manufacturing & Distribution Department. "Somewhat soft, I think would be a better term," he adds.

But I point to a few signals. One paper source noted that inventories are plummeting and that the long pipeline of imported paper is slowing down. He feels that we are in the middle of a correction period that could well run its course during the first quarter of 1986. Advertising pages have not been so robust as had been predicted, but paper consumption is not significantly different from 1984. And in certain other areas of coated groundwood consumption, paper usage is actually somewhat up. Add to these points the fact that my survey indicates an increase of capacity of 1986 of only 208,000 tons in North America, an increase equaling about 5 percent.

A look at 1987 and 1988

At The FOLIO:Show last year in New York, I predicted that the coated paper market would soften shortly. It turned out that the softness came even faster than I expected. Publicly, almost everyone was saying that paper would remain tight, and many publishers were outwardly shopping for additional supplies. But I remember one member of the audience telling me confidentially that he was buying every monthly allocation to which he was entitled, but that he was shortly going to ask his merchant to resell portions of it quietly. His printer was running out of storage space. And a major magazine paper purchaser, one who does not like to be quoted, mentioned privately that his company was selling several lots of paper that he had earlier purchased from offshore.

At last month's FOLIO:Show Magazine Paper Seminar, I predicted that the paper market would tighten sometime during 1986, although the situation should not become desperate. But most of the group felt otherwise, at least from what they said in public. Why do I think demand will come closer to supply? In part because we as a group tend to overreact to market conditions, and I believe there is a likelihood that inventories will be cut back too far before the reality of the situation sets in.

Certainly the increases in supply of coated groundwood paper for 1987 and 1988 are impressive. And others will be announced, both in North America and abroad. But usage should pick up too as we come out of the current business blahs and then approach another national election year.

It has been said that there are as many economists in this country as there are dentists, and it's a toss-up as to which one causes the most pain. Statistics are numerous and often contradictory, and it is hard to glean from them the information we need to make our moves.

It is too early yet to predict the supply:demand equation for 1987 and 1988, but we should all remember what to watch. As magazine publishers, it is very expensive to be wrong when it comes to the supply of paper.□

Paper resource guide

The Competitive Grade Finder for the Paper and Graphic Arts Industry
Grade Finders, Inc.
P.O. Box 444
Bala Cynwyd, Pennsylvania 19004

Lockwood's Directory of the Paper and Allied Trades
Vance Publishing Corporation
122 East 42nd Street
New York, New York 10168

The Paper Yearbook
Harcourt Brace Jovanovich Publications
747 Third Avenue
New York, New York 10017

Post's Pulp & Paper Directory
Miller Freeman Publications, Inc.
500 Howard Street
San Francisco, California 94105

Walden's ABC Guide
Walden-Mott Corporation
475 Kinder Kamack Road
Oradell, New Jersey 07649

How this survey was conducted

To provide data relevant to magazine publishers, the 15 paper companies that together manufacture virtually all the coated groundwood paper produced in North America were surveyed in the following manner:

•*The design of a special survey for North American coated groundwood paper:* Several of the 15 companies make both coated groundwood paper and coated woodfree paper on the same machines. In these cases, numbers were requested that projected each machine's normal grade mix. Each of these companies also makes several basis weights of paper, so the questions were designed to provide the average basis weight mix for coated groundwood tonnage totals. Total "normal" capacity was considered (total available days, less holidays and scheduled maintenance downtime), with no further reductions for possible lack of orders.

•*The agreement from each paper company to participate:* A representative of each paper company agreed to review the survey and to provide as much information as the company would permit. Any other information, beyond survey questions, was also invited.

•*Analysis of the completed surveys:* All 15 paper companies responded formally by returning the survey. Many answered each and every question, including the largest coated groundwood paper manufacturer, Champion. And every company responded at least in part.

•*The follow-up interviews and discussions:* Some of the companies were concerned that, by answering all the survey questions, they might be revealing information that could be useful to their competitors. In these cases, additional interviews and discussions were held, either with the person who filled out the survey or with others knowledgeable about the company.

•*Comparing survey information with other statistics.* To provide the most accurate numbers possible, the answers were checked against other sources for reasonableness and accuracy.□